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Governor

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MICHAEL E. LEWIS
Commissioner

December 1, 2000

PROVIDER NOTICE 00-23

TO: All Hospital Providers

SUBJECT: Guidelines for Outpatient Observation

Effective for date of service (DOS) January 1, 2001 and thereafter the current outpatient observation codes, Z5294 and Z5295, will be replaced with CPT codes. The Z codes will not be accepted for DOS after December 31, 2000. Providers should bill the appropriate CPT code based on the severity of the patient's condition. Providers may bill up to twenty (20) units of each procedure code.

Consistent with existing policy, these codes must be billed with a facility fee (99281-99284).

The facility fee is billed with units of one and covers the first three hours. The applicable CPT code would then be billed for the fourth to the twenty- third hour.

The new codes are 99218, 99219 and 99220. The following descriptions of the procedure codes are from the 2000 CPT Manual, page 12 and should be incorporated into your facility's policy for outpatient observation. Please note that the descriptions state "per day", but in keeping with other payors' guidelines, these procedure codes will be billed in units.

99218 is initial observation care, per day, for the evaluation and management of a patient which requires these three key components:

- a detailed or comprehensive history
- a detailed or comprehensive examination
- medical decision-making that is straightforward or of low complexity

The problem(s) requiring admission to "observation status" is usually of low severity.

99219 is initial observation care, per day, for the evaluation and management of a patient, which requires these three key components:

- a comprehensive history
- a comprehensive examination
- medical decision-making of moderate complexity

The problem(s) requiring admission to “observation status” is of moderate severity.

99220 is initial observation care, per day, for the evaluation and management of a patient, which requires these three components:

- a comprehensive history
- a comprehensive examination
- medical decision-making of high complexity

The problem(s) requiring admission to “observation status” is of high severity.

If you have additional questions, please call Medicaid’s Medical Services Outreach & Education Program at (334) 242-5455.

Michael E. Lewis, Commissioner

Distribution List:

Alabama Hospital Association
Medical Association of the State of Alabama
Department of Public Health
Electronic Data Systems (EDS)
Alabama Primary Health Care Association
Alabama Medicaid Agency

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REMINDER: All Medicaid recipients are required to present proper identification to a provider of medical care or services. Providers must verify eligibility before providing treatment or service under the Medicaid Program.

AVRS – 1-800-727-7848

MEDICAID FRAUD HOTLINE – 1-800-824-6584